

AMENDED IN SENATE APRIL 18, 2005

**SENATE BILL**

**No. 709**

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**Introduced by Senator Speier**

February 22, 2005

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An act to ~~add Section 84040.7 to~~ amend Section 84040.6 of, and to add Section 84040.7 to, the Education Code, relating to community colleges.

LEGISLATIVE COUNSEL'S DIGEST

SB 709, as amended, Speier. Community colleges: audits.

~~(1) Existing~~

*Existing* law establishes the California Community Colleges under the administration of the Board of Governors of the California Community Colleges. Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law establishes a system for the apportionment of state funding to community college districts. This system is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

Existing law requires the governing board of each community college district to provide for an annual audit of all funds, books, and accounts of the district in accordance with regulations of the board of governors. Existing law also requires the board of governors, in cooperation with, and upon approval by, the Department of Finance, to prescribe the statements and other information to be included in the community college districts' audit reports.

*Existing law requires the board of governors to report to the Joint Legislative Audit Committee on the number and nature of audit*

*exceptions and the estimated amount of funds involved in the exceptions, a list of districts that failed to file their required audits, and the actions taken by the Department of Finance to eliminate audit exceptions and comply with management improvement recommendations.*

~~This bill would further require that the annual audits of community college districts include examinations of whether districts are accurately reporting student enrollment for the purpose of state apportionments. The bill would require random checks of attendance at classes for which apportionment is claimed. The bill would require that, at least twice each year, the paycheck envelopes issued to community college faculty shall contain the Web site address and hotline telephone number for reporting suspected improprieties to the Office of the Inspector General of the United States Department of Education. To the extent that this bill would impose new duties on community college districts, it would constitute a state-mandated local program~~ *require that this annual report also include a summary of any and all audit exceptions found by the office of the Chancellor of the California Community Colleges and the actions taken by the chancellor in response to those audit findings.*

The bill would require the board of governors to establish a system for collecting information from students regarding errors in the reporting of classes on transcripts. The bill would also require the board of governors to examine the formula that determines the level of funding for both credit and noncredit classes for the purpose of determining whether the formula should be amended in a manner that would help prevent errors and misrepresentations by community college districts in the reporting of class enrollment for apportionment. The bill would require the board of governors to report its findings and recommendations in this regard, in writing, to the Director of Finance and the Legislature on or before October 1, 2006.

~~(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~yes~~-no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 84040.6 of the Education Code is  
2     amended to read:

3     84040.6. On June 30, 1991, and each year thereafter, the  
4     Board of Governors of the California Community Colleges shall  
5     report to the Joint Legislative Audit Committee on ~~(1) the all of~~  
6     the following:

7     (a) The number and nature of audit exceptions and estimated  
8     amount of funds involved in the exceptions; ~~(2) a.~~

9     (b) A list of districts ~~which~~ that failed to file their audits  
10    pursuant to Section 84040; ~~and (3) the.~~

11    (c) The actions taken by the ~~department~~ Department of  
12    Finance to eliminate audit exceptions and comply with  
13    management improvement recommendations.

14    (d) A summary of any and all audit exceptions found by the  
15    chancellor's office and the actions taken by the chancellor in  
16    response to the audit findings.

17    SECTION 1.

18    SEC. 2. Section 84040.7 is added to the Education Code, to  
19    read:

20    84040.7. Notwithstanding any other provisions of law:

21    ~~(a) The Department of Finance shall require both of the~~  
22    ~~following:~~

23    ~~(1) That the annual audit of a community college district that~~  
24    ~~is performed pursuant to Section 84040 examines whether~~  
25    ~~community college campuses are properly reporting student~~  
26    ~~enrollment for the purposes of state apportionments.~~

27    ~~(2) That random checks of attendance are done for all classes~~  
28    ~~for which apportionment is claimed to determine each of the~~  
29    ~~following:~~

30    ~~(A) That classes reported for apportionment purposes are~~  
31    ~~accurately and adequately described in the course descriptions~~  
32    ~~used by that campus.~~

33    ~~(B) That classes for which apportionment is claimed are~~  
34    ~~recorded on the transcript of each attending student.~~

1 ~~(C) The extent of compliance with special regulations~~  
2 ~~regarding claiming apportionment for distance learning, tutoring,~~  
3 ~~and other special classes.~~

4 ~~(D) That all classes for which apportionment is claimed are~~  
5 ~~published in an official campus schedule of classes.~~

6 ~~(b) (1) At least twice each year, the paycheck envelopes~~  
7 ~~issued to community college faculty shall contain the Web site~~  
8 ~~address and hotline telephone number for reporting suspected~~  
9 ~~improprieties to the Office of the Inspector General of the United~~  
10 ~~States Department of Education.~~

11 ~~(2)–~~

12 ~~(a) The board of governors shall establish a system for~~  
13 ~~collecting information from students regarding errors in the~~  
14 ~~reporting of classes on transcripts. The board of governors shall~~  
15 ~~provide that each student transcript shall have an annotation that~~  
16 ~~states that, if a student notes that a class that has never been taken~~  
17 ~~appears on his or her transcript, the student shall report that fact~~  
18 ~~to an entity identified by the board of governors. The board of~~  
19 ~~governors shall establish a method for tracking errors at each~~  
20 ~~community college district for the purposes of determining~~  
21 ~~whether a pattern of errors would warrant an audit of a specific~~  
22 ~~community college campus or district.~~

23 ~~(e)–~~

24 ~~(b) On or before July 1, 2006, the board of governors shall~~  
25 ~~examine the formula that determines the level of funding for both~~  
26 ~~credit and noncredit classes for the purpose of determining~~  
27 ~~whether the formula should be amended in a manner that would~~  
28 ~~help prevent errors and misrepresentations by community college~~  
29 ~~districts in the reporting of class enrollment for apportionment.~~  
30 ~~The findings and recommendations of the board of governors~~  
31 ~~with respect to this matter shall be reported, in writing, to the~~  
32 ~~Director of Finance and the Legislature on or before October 1,~~  
33 ~~2006.~~

34 ~~SEC. 2. If the Commission on State Mandates determines that~~  
35 ~~this act contains costs mandated by the state, reimbursement to~~  
36 ~~local agencies and school districts for those costs shall be made~~  
37 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~  
38 ~~4 of Title 2 of the Government Code.~~

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